

ASSEMBLY BILL

No. 2806

Introduced by Assembly Member Papan

February 28, 2000

An act to add Section 11012.5 to the Government Code, relating to state investments.

LEGISLATIVE COUNSEL'S DIGEST

AB 2806, as introduced, Papan. Public investments: financial institutions.

Existing law generally provides that whenever any state agency is authorized to invest funds, or to sell or exchange securities, approval of the Department of Finance shall be secured prior to the investment, sale, or exchange.

This bill would require the Commissioner of Financial Institutions and any other state officer or state agency charged with the regulation of a financial institution to adopt appropriate regulations (1) to establish state standards that a financial institution would be required to satisfy as a condition precedent for receiving public money investments or deposits or participating in public agency contracts for financial services or similar financial activities and (2) to prohibit any financial institution from being eligible to receive public money investments or deposits or participate in public agency contracts for financial services or similar state financial activities unless the institution achieves and maintains a satisfactory record of meeting community credit needs under the federal Community Reinvestment Act of 1977 or the state standards.

Vote: majority. Appropriation: no. Fiscal committee: yes.
State-mandated local program: no.

The people of the State of California do enact as follows:

1 SECTION 1. It is the intent of the Legislature in
2 enacting this act to ensure that financial institutions doing
3 business in this state demonstrate an ongoing policy of
4 investment in the communities from which they derive
5 their funds. To stimulate that community investment, it
6 is the intent of the Legislature that no financial institution
7 shall be eligible to receive public money investments or
8 deposits or participate in public agency contracts for
9 financial services or similar state financial activities unless
10 the institution achieves and maintains a satisfactory
11 record of meeting community credit needs under the
12 federal Community Reinvestment Act of 1977 (12 U.S.C.
13 Sec. 2901 and following) and the implementing
14 regulations (12 C.F.R. 25.11 and following and 12 C.F.R.
15 345.11 and following) or an equivalent State of California
16 standard.

17 SEC. 2. Section 11012.5 is added to the Government
18 Code, to read:

19 11012.5. (a) As used in this section:

20 (1) “Financial institution” means any institution
21 engaged in the business of providing financial services to
22 customers who maintain a credit, deposit, trust, or other
23 financial account or relationship with the institution.

24 (2) “Public agency” means every state agency,
25 county, city and county, city, public corporation,
26 municipal corporation, or public district.

27 (3) “State agency” has the meaning set forth in Section
28 11000.

29 (b) The Commissioner of Financial Institutions and
30 any other state officer or state agency charged with the
31 regulation of a financial institution shall adopt
32 appropriate regulations to do all of the following:

33 (1) Establish state standards that a financial institution
34 is required to satisfy as a condition precedent for
35 receiving public money investments or deposits or

1 participating in public agency contracts for financial
2 services or similar financial activities. The state standards
3 shall be comparable to the standards established in the
4 federal Community Reinvestment Act of 1977 (12 U.S.C.
5 Sec. 2901 and following) and the implementing
6 regulations (12 C.F.R. 25.11 and following and 12 C.F.R.
7 345.11 and following).

8 (2) Prohibit any financial institution from being
9 eligible to receive public money investments or deposits
10 or participate in public agency contracts for financial
11 services or similar state financial activities unless the
12 institution achieves and maintains a satisfactory record of
13 meeting community credit needs under the federal
14 Community Reinvestment Act of 1977 or the standards
15 established pursuant to paragraph (1).

